

## **Summary of the Proposed Terms and Conditions for the Gas and Electric Franchise Agreements With SDG&E**

Items applicable to both franchise agreements:

- **Franchise Fee:** Franchise fee for the Electric Franchise will increase from 1.1 to 1.25%. The Gas Franchise Fee will remain at 2.0%. If the statutory Franchise Fee for general law cities is increased during the term of the Franchise, SDG&E will pay the higher rate to the City as soon as authorized for collection by the California Public Utilities Commission.
- **Term:** The initial term for both Agreements shall be for a ten-year period commencing on January 1, 2005 and ending December 31, 2014. Provided all of SDG&E's obligations under the MOU are materially satisfied, SDG&E will automatically receive a new additional 20-year term upon expiration of the initial term.
- **Utility Users Tax (UUT):** To the extent allowed by law, SDG&E shall collect UUT from other electricity providers for remittance to the City.
- **California Municipal Lands Use:** SDG&E shall implement the provisions of California Public Utilities Code Sections 6351, 6352, 6353, 6354 and 6354.1 and remit funds collected to the City.
- **System Upgrades:** SDG&E agrees to include the City in the early implementation of system-wide enhancements (e.g. infrastructure upgrades and ancillary services) to the extent it is consistent with SDG&E's policy to prioritize and construct such system enhancements.
- **Indemnity:** SDG&E will indemnify and hold the City harmless for liabilities proximately resulting from any operations under the franchises.

The following item is applicable only to the Electric Franchise:

- **Rule 20A – Undergrounding:** SDG&E agrees to expend the City's existing Rule 20A allocation of approximately \$5 million towards the completion of undergrounding projects identified in the MOU or as directed by the City. In addition, new allocations of monies that may be drawn down for future undergrounding projects shall be made at the rate of \$2 million per year.

The City and SDG&E have agreed to a number of other important community benefits that are outlined in the Memorandum of Understanding (MOU). A summary of the additional benefits in the MOU is as follows:

- The City and SDGE will work together at the California Public Utilities Commission (“CPUC”) to have the proposed 230kV line along the Bayfront corridor undergrounded and the removal of two of the existing 138 kV lines and supporting structures, at an estimated cost of \$36-41 million.
- The City and SDG&E will work together at the CPUC to accomplish the undergrounding of the remaining 138kV lines and supporting structures, along the Bayfront corridor from the existing power plant area to the Sweetwater River, which is anticipated to occur before the end of 2008. This will be accomplished through the use of some City 20A funds, which are estimated at \$14 million. If needed, SDG&E has agreed to advance the City up to \$10 million of its 20A funds interest free to complete the City portion of this undergrounding.
- The City has preserved its right to pursue Greenfield Development. If SDG&E fails to fulfill their commitment to underground the Bayfront, by March 2010, the City can initiate the option to do Greenfield Development.
- SDG&E has committed to work with the City to place future facilities along the Bayfront underground and to maintain this area as an underground district.
- SDG&E commits to continue the City’s 20A funding at a rate of \$2 million per year for the term of the electric franchise, which is the highest paid in SDG&E’s territory and will total \$20 million.
- Administrative Practices: SDG&E and City will cooperate to prepare a manual to govern the permitting, installation, maintenance, repair and removal of SDG&E’s facilities in the streets of the City. SDG&E will make a one-time payment to the City of \$250,000 to support this effort.
- If all necessary federal, state and local permits are received and an alternative site can be identified, SDG&E will, at its sole cost, relocate the existing switchyard from the power plant site, at an estimated cost of \$50 million.
- SDG&E will spend \$375,000 on the creation of parks on the west side of Chula Vista along its transmission corridor.
- SDG&E will spend \$105,000 to screen and beautify existing substations within the City.

- SDG&E will cooperate with the City's efforts to become a Community Choice Aggregator
- Over the next five years, SDG&E will spend approximately \$2 million annually to ensure Chula Vista customers receive a representative portion of current and future energy conservation and renewable energy projects for a value of \$10 million. In addition, SDG&E agrees to cooperatively work with the City to continue such Public Purpose Funding for the life of the Franchise.
- SDG&E will use the City as its exclusive issuer of SDG&E's Industrial Development Bond issues. They estimate issuing \$1.5 billion for projects within the next 10 years. SDG&E has agreed to increase the City's fee from .25 basis points plus costs to .35 basis points plus costs, which will generate a net increase of approximately \$1.5 million.